

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WEBSTER MEMORIAL LIBRARY	County VAN BUREN
Fiscal Year End 6/30/07	Opinion Date 1/18/08	Date Audit Report Submitted to State February 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

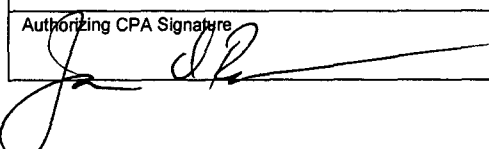
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) YEO & YEO, P.C.		Telephone Number 269-329-7007	
Street Address 710 E. MILHAM		City KALAMAZOO	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name JAMES D. REINHART	
		License Number 1101009422	

**Webster Memorial Library
Decatur, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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Webster Memorial Library
Organization and Purpose
June 30, 2007

State of Incorporation

Michigan

Office

Decatur, Michigan

Trustees

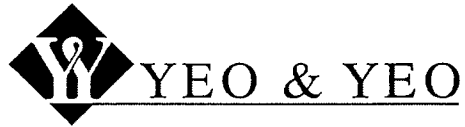
Oscar NewellPresident

Warren B. Grosvenor..... Secretary

Gordon Krum..... Treasurer

Trust Arrangement

Webster Memorial Library is a Michigan Charitable corporation formed March 23, 1960, Trust No. 1-61-460. It is managed by three trustees, and is responsible for maintaining a public library facility located in Decatur, Michigan, bearing the same name.



710 E. Milham
Kalamazoo, MI 49002
Phone (269) 329-7007 / (800) 375-3968
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Independent Auditors' Report

Trustees
Webster Memorial Library
Decatur, Michigan

We have audited the accompanying statement of financial position of Webster Memorial Library as of June 30, 2007, and the related statements of activities and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Webster Memorial Library as of June 30, 2007, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

January 18, 2008

Webster Memorial Library
Statement of Financial Position
June 30, 2007

Assets

Cash and cash equivalents		\$	20,425
Investment in marketable securities, at fair value			3,765,672
Property and equipment	\$	1,451,492	
Less: accumulated depreciation		<u>(729,945)</u>	<u>721,547</u>
Total assets		\$	<u><u>4,507,644</u></u>

Net Assets

Unrestricted		\$	<u><u>4,507,644</u></u>
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See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Activities and Net Assets
For the Year Ended June 30, 2007

Changes in unrestricted net assets

Revenue

Dividends

Cash

\$ 33,274

Stock

117,087

Total dividends

150,361

Other income

Interest income

193

Unrealized gains

627,643

Gain on sale of investments

8,515

Total other income

636,351

Total revenue

786,712

Expenses

Operating and administrative expenses

Trust administration

102,059

Library operations

18,717

Depreciation

29,018

Total expenses

149,794

Change in unrestricted net assets

636,918

Unrestricted net assets--July 1, 2006

3,870,726

Unrestricted net assets--June 30, 2007

\$ 4,507,644

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Cash Flows
For the Year Ended June 30, 2007

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities

Change in unrestricted net assets

\$ 636,918

Adjustments to reconcile change in unrestricted net assets to net

cash provided by operating activities:

Depreciation

29,018

Unrealized gains on investments

(627,643)

Stock dividends

(117,087)

Gain on sale on investments

(8,515)

Net cash used in operating activities

(87,309)

Cash flows from investing activities

Proceeds from sale of securities

100,000

Net decrease in cash and cash equivalents

12,691

Cash and cash equivalents - beginning of year

7,734

Cash and cash equivalents - end of year

\$ 20,425

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Notes to the Financial Statements
June 30, 2007

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

The library operates as an independent entity from the Village of Decatur. A trust has been set up to provide funds to operate the library. The trust is managed by a board of three (3) appointed trustees.

The results of the Trust's operations are reflected in these financial statements.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Library considers all treasury bills, certificates of deposit, and money market funds purchased with an original maturity of three months or less to be cash equivalents.

MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

PROPERTY AND EQUIPMENT

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Land	\$ 101,449	\$ -	\$ -	\$ 101,449
Buildings and improvements	1,024,780			1,024,780
Books and equipment	126,177			126,177
Furnishings	26,724			26,724
Monument	12,683			12,683
Parking lot improvements	159,679	-	-	159,679
Total property and equipment	<u>\$ 1,451,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,451,492</u>

Property and equipment are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not added to the property and equipment account. For financial reporting purposes, the costs of property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Current year depreciation is \$29,018. The asset lives are generally as follows:

Books and equipment	3 - 5 years
Furnishings	5 - 7 years
Buildings and improvements	15 - 39 years
Monument	15 years
Parking lot improvements	15 - 39 years

Webster Memorial Library
Notes to the Financial Statements
June 30, 2007

INCOME TAXES

The Library is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Service Code, and therefore, no provision for income taxes is included. The Library is classified as a non-private foundation.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Library and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Library and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Webster Memorial Library holds no temporarily restricted net assets as of June 30, 2007.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations mandating such assets to be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the income earned on any related investments for general or specific purposes. Webster Memorial Library holds no permanently restricted net assets as of June 30, 2007.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Certain financial instruments potentially subject the Library to concentrations of credit risk. These financial instruments consist primarily of marketable securities.

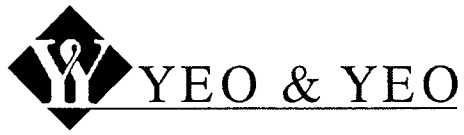
The Library's marketable securities are in high quality stocks and mutual funds.

At June 30, 2007, the Library's cash balance was insured in full.

Webster Memorial Library
Notes to the Financial Statements
June 30, 2007

NOTE 3 - COMMITMENTS

On December 15, 1998 the Library entered into an agreement with the Van Buren District Library to provide them with funds to cover general care and maintenance of the Library. The agreement is for the Library to pay 4% of the fair market value of the assets consisting of cash, cash equivalents and marketable securities held by the Library as of the preceding June 30 as shown by the annual audited financial statements. The annual distributions will be paid quarterly on January 2, April 1, July 1, and October 1. Any capital expenditures exceeding \$50,000 in any fiscal year of the Library shall be amortized over twenty years resulting in a 5% credit against the distributions in each year of the twenty year amortization period. The credit will be applied equally to each of the quarterly installments.



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Independent Auditors' Report On Supplemental Financial Information

Trustees
Webster Memorial Library
Decatur, Michigan

Our report on our audit of the basic financial statements of the Webster Memorial Library as of and for the year ended June 30, 2007, appears on page 2-1. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

January 18, 2008

Webster Memorial Library
Analysis of Cash Dividends
For the Year Ended June 30, 2007

Tri-Continental Corporation	\$ 14,497
Verizon Communications	9,882
Idearc Incorporated	208
Putnam Growth Fund	<u>8,687</u>
	<u>\$ 33,274</u>

Webster Memorial Library
Analysis of Stock Dividends
For the Year Ended June 30, 2007

	<u>Shares</u>	<u>Stock Dividends</u>
Fidelity Fund	225.724	\$ 7,823
Tri-Continental Corporation	281.129	6,213
Putnam Corporation	5,215.162	<u>103,052</u>
		\$ <u><u>117,087</u></u>

Webster Memorial Library
Detail of Administrative and Operating Expenses
For the Year Ended June 30, 2007

Administrative expenses	
Compensation - trustees	\$ 13,500
Auditing services	5,051
Supplies and miscellaneous	<u>166</u>
Total administrative expenses	\$ <u>18,717</u>
 Operating expenses	
Appropriations to Van Buren District Library	\$ 90,878
Janitorial services	599
Insurance	<u>10,583</u>
Total operating expenses	\$ <u>102,060</u>

Webster Memorial Library
Schedule of Investments - Stocks and Mutual Funds
June 30, 2007

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Tri-Continental Corp.	52,055.674	\$ 1,222,249	\$ 1,354,489	\$ 132,240
Verizon Communications	6,100.000	40,898	251,137	210,239
Fidelity Fund, Inc.	24,584.635	556,536	958,309	401,773
Putnam Growth Fund	45,173.132	636,738	955,863	319,125
Idearc Incorporated	305.000	1,602	10,776	9,174
Scudder Investment Portfolio - Capital Growth Fund	4,364.988	<u>186,734</u>	<u>235,098</u>	<u>48,364</u>
Total		\$ <u><u>2,644,757</u></u>	\$ <u><u>3,765,672</u></u>	\$ <u><u>1,120,915</u></u>



January 18, 2008

Board of Directors
Webster Memorial Library
Decatur, Michigan

In planning and performing our audit of the financial statements of Webster Memorial Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Webster Memorial Library internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of Company financial statements. However, if at any point in the audit we as auditors are part of the Company's control system for producing reliable financial statements, auditing standards indicate that the Company has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Documentation of Internal Controls

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Company. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Company completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

Segregation of Duties

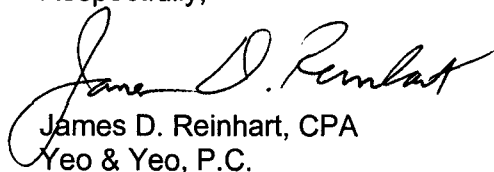
We are sensitive to the fact that the Company is a small organization, however we are required to tell you under auditing standards that the Company has a control deficiency related to the segregation of duties. Even within very small organizations there is the ability to gain some amount of segregation of duties. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the Company. These procedures will help prevent human errors as well as being a deterrent to fraud. We recommend that the disbursement cycle be segregated to ensure the person writing the checks and reconciling the bank statement is not the person signing the checks. We recommend that the receipts cycle be segregated to ensure the person recording the deposits, recording pledges, and reconciling the bank statement is not the person making the deposits. We further recommend a person who has not reconciled the bank account review the bank reconciliation. If you would like further information on how to segregate duties as they specifically relate to the Company's situation, we would be happy to provide you with additional information and consultation.

This communication is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Our firm appreciates the opportunity to serve Webster Memorial Library and would like to thank the administration and staff for their cooperation and assistance.

Should you have any questions, please do not hesitate to contact our office.

Respectfully,



James D. Reinhart, CPA
Yeo & Yeo, P.C.